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2004

MONTANA MEDICAL LEGAL PANEL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002

STATE DOCUMENTS COLLECTION

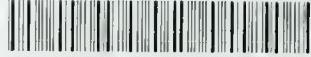
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**MONTANA MEDICAL LEGAL PANEL**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002**



# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

June 2004

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Medical-Legal Panel, Montana Supreme Court, for the year ended December 31, 2003.

The audit was conducted by Henry Fenton, CPA, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Scott A. Seacat".

Scott A. Seacat  
Legislative Auditor

(04C-01)



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**MONTANA MEDICAL LEGAL PANEL**

**ADMINISTRATIVE OFFICIALS**

G. Brian Zins

Director

Kathleen Whitehead

Assistant Director



**MONTANA MEDICAL LEGAL PANEL**  
**December 31, 2003**

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations for the year ended December 31, 2003.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no recommendations for the year ended December 31, 2002.



**HENRY FENTON  
CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

May 13, 2004

Mr. G. Brian Zins, Director  
Montana Medical Legal Panel  
2021 Eleventh Avenue  
Helena, Mt. 59601

I have audited the accompanying statement of assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 2003 and 2002, and the related statement of revenues collected, expenses paid, and changes in surplus arising from cash transactions for the two years then ended. These financial statements are the responsibility of the management of the Montana Medical Legal Panel. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

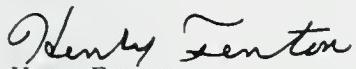
As described in Note 1, the Montana Medical Legal Panel's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 2003 and 2002 and its revenues collected, expenses paid, and changes in surplus for the two years then ended, on the basis of accounting described in Note 1.



In accordance with *Government Auditing Standards*, I have also issued a report dated May 13, 2004 on my consideration of the Montana Medical Legal Panel's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Sincerely,

  
Henry Fenton  
Certified Public Accountant



MONTANA MEDICAL LEGAL PANEL  
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS  
ARISING FROM CASH TRANSACTIONS  
DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash in bank	\$177,292	\$175,793
Reimbursements receivable	<u>255</u>	-
Total current assets	<u>\$177,547</u>	<u>\$175,793</u>
<b>LIABILITIES AND SURPLUS</b>		
Surplus	<u>\$177,547</u>	<u>\$175,793</u>

See accompanying notes to financial statements.



**MONTANA MEDICAL LEGAL PANEL**  
**STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN SURPLUS**  
**ARISING FROM CASH TRANSACTIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>Income:</b>		
Assessment fees	\$696,916	\$518,762
Interest income	2,792	7,346
Miscellaneous income	376	650
<b>Total income</b>	<u>700,084</u>	<u>526,758</u>
<b>Expenses:</b>		
Administrative	256,278	197,688
Panelist hearing time	106,843	103,531
Panelist preparation and travel time	55,792	51,079
Panelist travel	79,747	78,216
Meeting rooms	10,665	10,122
Records reproduction	39,480	54,410
Postage	22,822	24,798
Medical records and x-rays	27,947	33,219
Telephone	7,557	17,030
Office supplies	5,169	4,751
Panel legal counsel	71,619	32,480
Legal defense	-	3,929
Computer software	6,000	3,130
Liability insurance	3,516	2,192
Miscellaneous	4,895	1,920
<b>Total expenses</b>	<u>698,330</u>	<u>618,495</u>
<b>Net income (loss)</b>	1,754	(91,737)
<b>Surplus, January 1st</b>	175,793	267,530
<b>Surplus, December 31st</b>	<u>\$177,547</u>	<u>\$175,793</u>

See accompanying notes to financial statements.



**MONTANA MEDICAL LEGAL PANEL  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Panel was established by the "Montana Medical Legal Panel Act", as authorized by Section 27-6-101 and 104 M.C.A. The Panel is attached to the Montana Supreme Court for administrative purposes only, except that 2-15-121(2) M.C.A. does not apply.

The Panel was created to review all malpractice claims or potential claims against health care providers for the purpose of preventing, where possible, the filing of court actions against health care providers and their employees for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice and to make possible the fair and equitable disposition of such claims against health care providers as are or reasonably may be well founded.

**Cash Basis**

The Panel follows the cash basis of accounting whereby items of expense are recognized as cash is paid and revenues are recognized when cash is received. This is a comprehensive basis of accounting other than generally accepted accounting principles.

**Assessment Fees**

Annual assessments are levied against licensed physicians, dentists, podiatrists, hospitals, and other health care facilities in an amount sufficient to meet all panel costs. Annual assessments are apportioned among each group of health care providers according to the number of claims brought against each type of provider.

**NOTE 2. CASH DEPOSITS**

Cash in bank consists of the following deposit accounts:

	2003	2002
Valley Bank - checking	\$ 122,334	\$ 3,573
US Bank - savings	20,798	-
American Federal Savings Bank - savings	11,667	35,822
First Interstate Bank - savings	6,078	40,692
First Security Bank - savings	5,748	90,406
Mountain West Bank - savings	10,667	5,300
	<hr/> <u>\$ 177,292</u>	<hr/> <u>\$ 175,793</u>

Individual accounts are insured up to \$100,000. The excess over the insured amount in the Valley Bank checking account at December 31, 2003 was transferred to another account on January 5, 2004.



**MONTANA MEDICAL LEGAL PANEL  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**NOTE 3. RELATED PARTIES**

G. Brian Zins is director of both the Montana Medical Association and the Montana Medical Legal Panel. The Montana Medical Association bills the Montana Medical Legal Panel for services and facilities provided to that organization. This administrative fee is subject to the approval of the Chief Justice of the Montana Supreme Court. The Montana Medical Association was paid administrative fees of \$256,278 in 2003 and \$197,688 in 2002.

**NOTE 4. LEGAL FEES/LITIGATION**

Panel legal counsel fees are incurred for time spent by the Panel's legal counsel in compiling data for and preparing statistical reports pertaining to claims filed, hearings held, disposition of claims subsequent to Panel hearings and assisting the Panel in setting assessments.

Legal defense fees were incurred in responding to actions brought against the Panel seeking access to medical records from the Panel and/or health care providers involved in Panel hearings. Aside from legal costs, no significant liability to the Panel is expected to result from these actions.

**NOTE 5. RISK MANAGEMENT**

The Panel is exposed to risk of loss primarily through possible errors and omissions pertaining to claims filed with the Panel. This risk is transferred through the purchase of a professional liability policy from a private insurance carrier.



**HENRY FENTON  
CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

May 13, 2004

Mr. G. Brian Zins  
Montana Medical Legal Panel  
2021 Eleventh Avenue  
Helena, Mt. 59601

I have audited the financial statements of the Montana Medical Legal Panel as of and for the two years ended December 31, 2003, and 2002 and have issued my report thereon dated May 13, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montana Medical Legal Panel's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

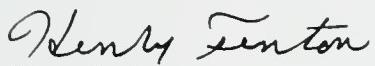
In planning and performing my audits, I considered the Montana Medical Legal Panel's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in



the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

This report is intended solely for the information and use of the legislative audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Henry Fenton  
Certified Public Accountant



# MONTANA MEDICAL LEGAL PANEL

2021 Eleventh Avenue, Suite 1, Helena, Montana 59601-4890  
Telephone (406) 443-1110 • FAX (406) 443-4042

May 21, 2004  
Friday

Mr. Scott A. Seacat  
Legislative Auditor  
P.O. Box 201705  
Helena, Montana 59620-1705

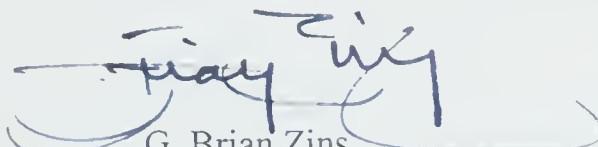
Dear Mr. Seacat:

As Director of the Montana Medical Legal Panel, I am corresponding with you about the recently completed audit of the Panel by Henry Fenton, C.P.A.

We have reviewed the audit and believe it accurately represents the financial records of the Panel for the 2003 fiscal year.

All best wishes.

Sincerely,



G. Brian Zins  
Director

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